

News Highlights:

- India could harvest nearly 351 million tonnes of sugarcane in 2011-12 season, according to a average of forecast by various sugar associations and trade houses in a Reuters Poll.
- Monsoon rains witnessed sharp improvement in the week ending 10th Aug to 14 percent above normal from 22 percent below normal a week ago. Good monsoon rains might put a healthy impact on cane yield which ultimately help to increase sugar production for 2011-12 crushing season.
- According to various media sources, government allowed 5 lac tonnes sugar exports under OGL which takes the overall sugar exports figures to 15 lac tonnes. However, market is in great ambiguity over recent export allowance as Government has not notified additional sugar exports till yet.
- The Government has decided to make available 19.25 lakh tonne of sugar quota (levy sugar – 2.22lakh tonne, 0.03 lac tonne of white processed from imported raws and non-levy sugar – 17 lac tonne) for the month of August 2011. August quota is higher compared to last three years average sugar quota for August month which might pressurize the price in the coming week.

Domestic Market Recap:

Sugar prices remains mixed in various spot markets during the week ending 12th Aug 2011. Festive sugar demand during the week supports the prices of sugar in markets like UP and Maharashtra. However, prices ease during the week in markets like Vijayawada and Kolkata due to higher sugar supply and sluggish demand. Traders are trying to bargain and carry sugar stock at lower levels.

Meanwhile, sugar exports rumors are there in the market. According to various news sources, govt. allows 5 lac tonnes sugar exports under OGL but has not notified the statement which creates confusion towards the markets.

Moreover, sluggish demand reported in various key markets of UP due to lackluster trade and sluggish demand.

It is clearly seems that higher supply by millers weighs on the market sentiments but expected sugar festival demand in rest of month will offset the impact of higher supply of sugar from the market which might support the sugar prices.

Sugar Export Opportunity: Likely to Continue

Indian prices are not looking competitive at present against Brazil. However, due to higher Thai sugar premium, Indian FOB prices showing some competition in international market as evident in the following table. Meanwhile International sugar prices have surged owing to concern over Brazil and Thailand crop due to recent rain which further supports the possibilities of Indian sugar exports.

Meanwhile government has allocated 4.83 lac tonnes of sugar till 11th Aug 2011 out of 5 lac tonnes worth export licenses. Further sugar exports allowance might give opportunity to fetch premium over domestic price from Export houses. It is noticeable that exporters were willing to pay a premium of as much as 7000/MT to get the allotted export licenses from millers

Comparative Sugar FOB Prices (USD/MT)			
	South (T.N)	West (Maharashtra)	North (U.P)
	Chennai S 30	Kolhapur S 30	Muzaffarnagar M 30

FOB India (USD/MT)	797.06	783.64	823.90
	Brazil	Thailand	
FOB (USD/MT)	748.30	818.30	-

Sugar prices at Chennai and Kolhapur centers were seen competitive against Thailand, second largest sugar exporter country after Brazil. However Muzaffar Nagar center is not looking competitive compared to Brazil and Thailand due to freight disadvantage and large distance from ports. Recently Thailand raised its sugar premium from USD 22 to 80 over LIFFE. At these higher levels, Thai premiums buyers are seen inactive and for them to come down. This stands favorable to Indian exporters to bag import orders from SE Asian nations. However, sugar export parity advantage remains useless for Indian exports until government allows further sugar exports apart from 1 million tonnes of sugar exports till date.

Sugar Production Scenario:

Our estimate of the sugar production remains unchanged at 24.7 million tonnes for 2010-11. Agriwatch kept its production estimate slightly higher (0.2 million tonnes) compared to government estimates. Extended cane crushing in states like Maharashtra and Tamil Nadu helped the overall sugar production estimates for 2010-11.

Sugar Production estimate for 2010-11 (In Million Tonnes)	
Indian Government	24.5
ISMA	24.2
Agriwatch	24.7
Sucden	24.0-24.5
ED&F Man	24.5
Maharashtra State Cooperative Sugar Factories Federation (MSCSFF)	24.5

Sugar production estimate for 2011-12 is also kept unchanged at 26.4 million tonnes as yield situation will be clear only after Aug rainfall. Surge in sugarcane acreage by 9.79% Y-o-Y and normal yield assumptions should help to increase the overall sugar production for 2011-12.

.Sugar Production Projection for 2011-12 (In Million Tonnes)	
Agriwatch	26.4
Czarnikow	26.1
Sucden	25.7

Production projection based on 2 years average yield

Weather Outlook and Sowing Progress:

State wise Rainfall Distribution (In Millimeter)			
	Actual(17.8.2011)	Normal (01.06.2011)	% Change
Eastern UP	591	574.3	3%
Western UP	564.1	503.6	12%
Central Maharashtra	463	503.7	-8%
Andhra Pradesh	311.4	349	-11%
Northern Karnataka	280	308.6	-9%
Southern Karnataka	466.4	457.4	2%
Gujarat	566.2	633.4	-11%
Tamil Nadu	153.2	154.7	-1%
Bihar	705.1	672.8	5%
Country as a Whole	600.1	606.2	-1%

Source: IMD

According to Indian Meteorological Department, overall actual precipitation in the country is 1% below normal upto 17th Aug 2011. Good precipitation was recorded in Western UP which might support the yield of sugarcane. Rainfall has been improved in regions like Bihar and South Karnataka compared to last week which gives boost to the cane yield. However, rainfall in states like AP, Maharashtra, TN and Northern Karnataka recorded slightly below normal rainfall. These areas are 90% irrigated already and the decline in rainfall will have no or marginal impact on yield of sugarcane.

Sugarcane crop progress during the week ending 5th Aug 2011 indicates satisfactory progress y-o-y as major shift in area towards sugarcane could be seen from competing crops like soybean, pulses, and coarse cereals in major producing states. Sugarcane has been planted in 51.13 lakh hectares till 5th Aug. Higher area has been reported Y-o-Y from Karnataka, Punjab, Uttar Pradesh and Maharashtra which bears with our original estimate of proposed acreage this year.

Spot Sugar Prices Scenario (Weekly)

	04-Aug-11	11-Aug-11	change
Mumbai M-30	2911	2941	30
Mumbai S-30	2746	2751	5
Kolhapur M-30	2650	2700	50
Kolhapur S-30	2625	2630	5
Muzaffar Nagar M	2920	2945	25
Delhi M-30	2950	2950	Unch
Delhi S-30	2850	2850	Unch
Chennai S	2715	2715	Unch
Vijayawada M-30	3100	3080	-20
Kolkata M Variety	2910	2880	-30

Spot Market Technical Analysis (Kolhapur–Grade M)



Price Expectation for Kolhapur market for the coming week.

- Sugar Kolhapur spot prices increase during the week ending 12th August 2011.
- Kolhapur spot prices might test immediate support level of Rs. 2640 which is also a strong support. If the level breached downwards then may continue its bearish run.
- Also, RSI is also moving down to oversold region from neutral region.
- Prices are expected to move in a range between Rs. 2640/Qtl to Rs. 2700/Qtl, in the short term.

Spot Market Technical Analysis (Muzaffar Nagar –Grade M)



Price Expectation for Muzaffar Nagar market for the coming week.

- Sugar prices has gone up during the week in Muzaffarnagar spot market.
- Sugar Muzaffarnagar spot price is expected to move in a range between Rs. 2910 to Rs. 3000. Any breach of the levels on either side will decide the movement of the prices further.
- However, RSI is moving from neutral to overbought region.
- Prices seem to touch Rs. 2970 level which is a strong resistance level.

Gur Scenario

Gur prices remains unchanged in Muzaffarnagar market during the week ending 12th August 2011. Lackluster trade and subdued demand in the gur market left the gur prices unchanged. Gujarat buyers are showing less interest in buying gur from Muzaffarnagar market as the gur may perish owing to high temperature. On an average daily 10000 bags of gur has been offtake from Muzaffarnagar mandi.

Total gur stock in Muzaffarnagar is reported at 875,000 bags out of which 575,000 bags are of Chaku variety and rest 300,000 bags belongs to varieties like Khurpa, raskut and Papdi.

Meanwhile, it is expected that demand might ease after 21st Aug 2011 as festive demand is likely to end at the third week of August. It is also noticeable that gur production for the next season will start from first week of October which will add the supply of gur in the market. Considering the stock of gur left in cold storage and expected fresh arrivals of gur that will start in the month of October will pressurize the gur prices.

Meanwhile, gur production is likely to gain momentum in Karnataka with new cane crushing for gur expected to pick up during the period of Aug and Sep. Karnataka and Maharashtra market is giving strong competition to the Muzaffarnagar mandi as fresh arrivals from these states attract buyers from Gujarat and Rajasthan.

Considering the above factors, we expect the prices to stay under pressure and likely to stay range bound during the coming week.

Gur Spot Prices (Rs/Qtl)				
Markets	Variety	04-Aug-11	11-Aug-11	Change
Muzaffar Nagar	Chaku	2450	2450	Unch
Bangalore	Achhu	2800	2600	-200
	Mudde	3000	2800	-200
Belgaum	Mudde	2400	2200	-200
Belthangadi	yellow (Average)	2800	2700	-100
Bijapur	Achhu	2550	2630	+80
Gulbarga	Other (Average)	2558	2572	+14
Mahalingapura	Penti (Average)	2680	2680	Unch
Mandya	Achhu (Medium)	2640	2400	-240
	Kurikatu (Medium)	2150	2200	+50
	Other (Medium)	2250	2300	+50
	Yellow (Medium)	2300	2350	+50
Shimoga	Achhu (Average)	2950	2800	-150

Commodity: Sugar
Contract: September

Exchange: NCDEX
Expiry: September 20th, 2011

SUGAR

Technical Commentary:

- Sugar prices have decreased and stayed in a range of Rs. 2697 to Rs.2776, and breaching the levels in either side will decide the price movement.
- Prices are continuously testing 2697 level which also act as a strong support level and any decisive close below the same might drag the prices downwards.
- RSI is hovering near to oversold region from where prices might find buying support.



Strategy: It is advisable to sell from Resistance level.

Supports & Resistances			S2	S1	PCP	R1	R2
Sugar	NCDEX	September	2680	2697	2706	2750	2776
Trade Call			Call	Entry	T1	T2	SL
Sugar	NCDEX	September	Sell	<2730-2634	2697	2680	2750

Commodity: Gur
Contract: September

Exchange: NCDEX
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GUR

Technical Commentary:

- Prices are moving in a range of Rs.1015 to Rs.1051. It got resistance towards its 61% retracement levels. This might trigger technical sell from the regions which is expected to cool the prices towards its 38% retracement levels as depicted in the adjacent chart.
- Also, RSI is hovering near to the overbought region and moving towards neutral region.



Strategy: Sell from resistance level would be advisable.

Supports & Resistances			S2	S1	PCP	R1	R2
Gur	NCDEX	September	1005	1015	1017	1041	1051
Trade Call			Call	Entry	T1	T2	SL
Gur	NCDEX	September	Sell	<1030-1033	1015	1005	1041

International Scenario

International sugar prices have surged in ICE and LIFFE during the week ending 12th Aug 2011. Downward estimates for Brazilian cane and sugar output for 2011-12 season by UNICA and Datagro supports the sugar prices upwards. Also, concern over Thailand cane crop affecting by the recent rainfall supports the prices of sugar in various exchanges. Prices are expecting to trade in range bound and might rebound after initial downfall.

International Market News Highlights:

- South Africa sugar production has seen up to 1.932 million tonnes from previous estimate of 1.923 million tonnes. Sugarcane production was estimated at 16.982 million tonnes from 16.537 million tonnes, according to South African sugar Association (SASA).
- Datagro made the deepest cuts yet to its estimate of the sugarcane crop in top grower Brazil, Center-south sugar output for the 2011/12 crop was forecast to fall to 31.85 million tonnes, down from the 33.7 million projected in May, Datagro said. Datagro cut the cane crush for the center-south region -- where 90 percent of the crop is produced -- by nearly 4 percent to 517.4 million tonnes, projecting its first annual decline in a decade due to a combination of bad weather and falling yields.
- Heavy rain in Thailand's main sugarcane growing regions is threatening output, which might be about 3.5% lower than the previous season's crop. Thai sugarcane output will likely reach 92 million metric tonnes in the crop year starting Oct. 1, about 3.5% lower, due to lower yields following high rainfall. Thailand is expected to produce 9.2 million tonnes sugar in 2011-12. However, high rainfall might decrease the sugar output estimate for 2011-12.
- The sugar lineup at Brazilian ports goes down to 51 vessels, down from 54 on 3 Aug.2011. At Santos, Brazil's main port for sugar exports, the queue declined to 39 from 40. At Paranagua, the No. 2 sugar port, there were 12 ships this week, down from 14 vessels on 3 Aug, 2011. It is noticeable that queue of ships decreased despite of wet conditions at Santos that had interrupted sugar loading. Last year same period, Sugar lineup was gone up to 136 due to high sugar demand from sugar importing countries and wet conditions. It is very typical to see queue for sugar vessels at Brazilian ports going down at the time of peak crushing season in Brazil.

Brazil Sugar Vessel Line up					In Tonnes	
Ports	Vessels		White		Raw	
	3-Aug	10-Aug	3-Aug	10-Aug	3-Aug	10-Aug
Santos	40	39	110350	86650	1360000	1400000
Paranagua	14	12	67900	61000	276200	229900
Maceio	-	-	0	0	0	0
Vitoria	-	-	0	0	0	0
Total	54	51	178250	147650	1630000	1630000

*Numbers include ships loading, waiting to berth or expected to arrive in the coming week.

International Sugar Prices (Weekly)				
	Contract Month	04/8/2011	11/8/2011	Change
ICE Sugar #11 (US Cent/lb)	Oct'11	27.79	28.08	0.29
	Mar'12	26.81	26.89	0.08
	May'12	25.62	25.37	-0.25

LIFFE Sugar (US \$/MT)	Oct'11	719.80	749.70	29.9
	Dec'11	681.80	704.70	22.9
	Mar'12	669.10	691.20	22.1

LIFFE Future Market Sugar Scenario (Oct'11 Contract):



Technical Commentary:

- Trend of LIFFE sugar futures is bullish and remains in corrective mode.
- Recovery is likely to be seen upto \$760-780/MT.
- However prices might test its support level of \$720/MT, if breach then It may go down to its next support level of \$680/MT.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
LIFFE Sugar (US \$/MT)	Oct'11	749.70	760-780

ICE Raw Sugar Future Market Scenario (Oct'11 Contract):

Technical Commentary:

- Raw Sugar futures remain in bullish trend and showing correction from lower levels.
- Sugar prices might come back after testing 27.28 levels. However, if breach the support level then may go down further.

International Sugar Futures Price Projection			
	Contract Month	Present Quote	Expected Price level for next week
ICE Sugar #11 (US Cent/lb)	Oct'11	28.08	29.14-29.72

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